

MINUTES

**California Health Facilities Financing Authority
("CHFFA")
January 26, 2012
915 Capitol Mall, Room 587
Sacramento, California 95814**

Alternate Location for CHFFA Teleconference Participation

**Sablan Medical Clinic
927 "O" Street
Firebaugh, CA 93622**

Patricia Wynne, Chairperson called the meeting to order at 2:14 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Jennifer Rockwell for Ana J. Matosantos, Department of Finance
Dr. Oscar Sablan - Teleconference
Ronald Joseph
Judith Frank
Samuel Qiu

Members Absent: Jack Buckhorn
Ann Madden Rice

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the December 1, 2011 Meeting

Ruth Holton-Hodson moved approval of the meeting minutes and Ronald Joseph seconded the motion. The meeting minutes were unanimously approved with a 7-Aye roll call vote.

Executive Director's Report (Information Item)

Ms. Liebert presented two Executive Directors reports and updated fund balances for the two months ending November 30, 2011 and December 31, 2011.

Ms. Liebert presented a list of the top thirteen borrowers and two new charts that staff would prepare annually for the board members. One chart showed the bond activity for the year. The other chart showed the HELP II Program financings that were near closing and those financings that closed throughout the year.

Delegation of Powers Monthly Update: Ms. Liebert stated that no actions had been taken since the previous meeting pursuant to the delegation resolution.

Update on AB 272 – Authorizing New Grant Program: Ms. Liebert updated the board members on the status of the bill and that it was making progress at the Capitol. AB 272 is the legislation seeking authorization to use up to \$6.5 million of CHFFA's fund balance to start a new grant program that, if approved, would allow CHFFA to seek grant applications for demonstration projects in progress where health care providers are creatively looking for new ways to deliver health care to vulnerable populations.

Ms. Liebert explained that the bill has support from the California Hospital Association, American Association of State, County and Municipal Employees. The California Nurses Association opposed the bill based on the theory of the hospitals “double dipping” as well the idea that creating new innovative ways of using technology in healthcare might reduce the need for nursing care and/or have negative scope of practice implications.

Bureau of State Audits (“BSA”) Audit of CHFFA: Ms. Liebert explained that the BSA chose CHFFA for a full scale audit and gave an update on its progress. The report would complement the audit with Reznick, and both audits were opportunities to examine CHFFA’s operations to see how it may be improved and streamlined to help CHFFA meet its mission.

She explained that BSA was also auditing other conduits in California in the same fashion, such as CMFA (the California Municipal Finance Authority) and CSCDA (the California Statewide Communities Development Authority).

Ms. Holton-Hodson asked when the board would see the other authorities’ audits and Ms. Liebert replied about the same time as CHFFA’s audit, around August 2012.

Articles about Catholic Healthcare West (“CHW”): Ms. Liebert explained to the board that CHW has been renamed “Dignity Health.” She presented the board with news articles for background on the name change. She noted that CHW or Dignity Health was CHFFA’s largest borrower.

Adult Day Health Care Centers Update: Ms. Liebert presented Lydia Missaelides of the California Association for Adult Day Services to explain to the board the evolution of funding for Adult Day Health Care (ADHC) Centers, which was relevant to CHFFA’s interests in terms of current and future financing of ADHC Centers. Ms. Missaelides summarized the current funding situation affecting the Adult Day Health Care Centers including reduction of Medi-Cal funding and alteration of the program into Community Based Adult Services (CBAS), a Medi-Cal managed care program under different qualifying criteria for clients.

Item #4 Lucile Salter Packard Children’s Hospital at Stanford (“LPCH”), Resolution No. 375

Jim Rennie of staff reminded the board that Wells Fargo was the trustee for this transaction. Ms. Frank recused herself from voting on agenda item #4 due to her owning stock in Wells Fargo Bank, which presented a conflict of interest. She did not leave the room.

Jim Rennie, Staff Analyst, introduced Keith Grundy, Financial Advisor at Hammond Hanlon Camp LLC; Tim Carmack, Chief Financial Officer at LPCH; Kathleen Leak, Bond Counsel at Orrick, Herrington & Sutcliffe, LLP; and John Landers, Underwriter at Morgan Stanley & Co., LLC.

Mr. Rennie explained that the bond proceeds would be used for the same project that came before the board at the December 1, 2011 board meeting in which the board awarded a \$98 million grant under the Children’s Hospital Program. With the project, LPCH will add 150 new beds and expand surgery and diagnostic capabilities.

Staff recommended the Authority approve Resolution Number 375 in an amount not to exceed \$200,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Public Financial Management, Inc., the Authority’s financial advisor, concurred with the Authority’s staff recommendation.

Chairperson Wynne asked if there were any comments from the public. There were none.

Mr. Joseph moved approval of Resolution No. 375 and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with a 6-Aye roll call vote.

Item #5 **Clinicas de Salud del Pueblo, Inc. (“Clinicas”), Resolution No. 2012-01**

Martha Maldonado, Operations Manager, introduced Roy Nelson and Katie Arsenio, Underwriters, Wulff, Hansen & Co.

Dr. Sablan asked if a portion of this request involved Valley Health Team then he would recuse himself from the agenda item.

Mark Paxson, counsel to the Authority, suggested that Dr. Sablan should recuse himself from agenda item #5 but need not step away from the meeting. Dr. Sablan did so.

Ms. Maldonado presented that Clinicas requested the Authority approve the following amendments to the Indenture, dated March 1, 2008: (1) differentiate and clarify what portion of each maturity is allocable solely to Clinicas; (2) allow for an optional redemption for the Clinicas portion; and (3) shorten the notice period for optional redemptions.

Staff recommended the Authority approve Resolution Number 2012-01 for Clinicas de Salud del Pueblo, Inc., amending the Indenture dated March 1, 2008 to allow an Optional Redemption prior to the call date, clarify what portion of each maturity is allocable to Clinicas de Salud del Pueblo, Inc. and shorten the notice period for optional redemptions thus permitting the immediate redemption of the 2008 Bonds allocable to it.

Chairperson Wynne asked if there were any comments from the public. There were none.

Ms. Holton-Hodson moved approval of Resolution No. 2012-01 and Ms. Frank seconded the motion. The Resolution was adopted with a 6-Aye roll call vote.

Item #6 **Transitions – Mental Health Association (“Transitions”), Resolution No. HII-267**

Carolyn Aboubechara, Staff Analyst, introduced Rick Wolfe, Finance Director of Transitions – Mental Health Association.

Ms. Aboubechara stated that the HELP II loan proceeds would be used to refinance an existing loan that carries a 6.5% fixed interest rate through 2015 and would become a variable rate thereafter. The current outstanding loan balance is approximately \$526,068. The refinancing of this loan would reduce the fixed interest rate from 6.5% to 3%, resulting in total interest savings of approximately \$168,000 and would also allow the borrower to avoid a balloon payment of approximately \$424,000 due in 2020.

Staff recommended approval of Resolution Number HII-267 for Transitions – Mental Health Association in an amount not to exceed \$518,000 for a term not to exceed fifteen years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, concurred with the Authority’s staff recommendations.

Mr. Samuel Qiu asked how health reform would affect mental health services and funding sources.

Mr. Wolfe replied that Transitions’ funding tended to be stable due to Proposition 63 which stabilized the funding for services it was providing.

Ms. Holton-Hodson asked why Transitions’ rental income increased. Mr. Wolfe replied that the rental income changed because it continued to provide housing to clients. Over the last few years, he stated that it had grown and added eighteen beds in the last year alone. Transitions’ rent payments increased rental income significantly.

Ms. Holton-Hodson asked whether the income for most of Transitions’ rent paying clients derived from working or collecting social security income (SSI). Mr. Wolfe explained that most of the clients were on

SSI, but one of its jobs as an agency was to assist clients into vocational programs by working with the Department of Rehabilitation in Santa Barbara and San Luis Obispo Counties. So, some clients have jobs but most do not.

Chairperson Wynne asked if there were any comments from the public. There were none.

Mr. Joseph moved approval of Resolution No. HII-267 and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Item #7 **Operation Samahan, Inc., Resolution No. HII-268**

Yassar Dahbour, Staff Analyst, introduced Joel San Juan, Chief Executive Officer of Operation Samahan, Inc.

Mr. Dahbour stated that HELP II loan proceeds would be used to refinance an existing \$350,000 loan with a 9% fixed interest rate. The loan was held by a private party (former owners) and was used to purchase a 7,100 square foot facility for \$615,000 in 2002. The facility houses three medical exam rooms; three dental operatories; six administrative offices; and a clinical suite. This refinancing would result in an annual savings of approximately \$21,000 due to the lower interest rate.

Staff recommended approval of Resolution Number HII-268 for Operation Samahan, Inc. in an amount not to exceed \$350,000 for a term not to exceed fifteen years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst, concurred with the Authority's staff recommendations.

Mr. San Juan thanked the board and described the clinic operations and the projects that required the refinancing.

Chairperson Wynne asked if there were any other questions from board members or comments from the public. There were none.

Ms. Holton-Hodson moved approval of Resolution No. HII-268 and Ms. Frank seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Dr. Sablan asked Mr. San Juan if there was a reason why his organization does not become a federally qualified health center (FQHC) instead of a look-alike FQHC. Mr. San Juan replied that they applied unsuccessfully but would try again.

Item #8 **Tax Exempt Bond Program and Initial Fees**

Ms. Liebert introduced Sarah Hollenbeck, Senior Consult of Public Financial Management ("PFM"). Handouts were given to the board members.

Ms. Liebert read the CHFFA's mission statement then began a discussion about the authority's income, how the Authority used the income, and what, if anything, should be done to adjust the income specifically, the initial fee. She presented details of CHFFA's income sources and expenses as well as several charts, some prepared by staff and some by PFM. There was a discussion between board members, Ms. Liebert and Ms. Hollenbeck

Board members and staff agreed that more time was needed for the board members to digest all of the information presented and then to revisit the issue at the next board meeting. Several board members requested all of the fees to be reviewed at the same time instead of the initial fees only.

Item #9 - HELP II Loan Program and Maximum Loan Amount (Information Item) was removed from the agenda.

Ms. Holton-Hodson left the board meeting and at 3:57 p.m., the closed session began.

Item #10

Litigation (Government Code Section 11126(e)(1)

Appropriate staff and the board consulted with legal counsel regarding pending litigation (California Health Facilities Financing Authority vs. Health for All, Inc., et al: Case No.: 34-2010-00092737, County of Sacramento) as authorized by Government Code Section 11126(e)(2)(A).

At 4:02 p.m., Chairperson Wynne announced the closed session was concluded and returned to open session.

She reported no action was taken during closed session.

Item #11

Other Business

No other business was presented. Chairperson Wynne asked for public comment. Hearing none, the meeting was adjourned at 4:03 P.M.